



TREASURY INSPECTORS GENERAL

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Treasury's two independent Inspectors General are charged with providing audit and investigative services that promote economy, efficiency, and effectiveness regarding Treasury operations. OIG conducts audits and investigations related to the Department's programs and operations, except for the IRS. TIGTA conducts audits and investigations involving IRS programs and operations. Highlights of their performance during FY 2001 are presented below. It should be noted that OIG did not have a published Annual Performance Plan for FY 2001. TIGTA did have a published Annual Performance Plan for FY 2001; data on their performance measures is presented in Appendix A.

Office of the Inspector General

Strategies/Key Measures

During FY 2001, the OIG reported approximately \$178.5 million in potential dollar savings identified from its audit recommendations. This amount exceeded last year's potential savings by \$118 million, primarily due to an audit of ATF's controls over tax-free tobacco exports that identified a potential revenue enhancement of approximately \$146 million. OIG issued a total of 97 audit and evaluation reports during the fiscal year, compared to 130 reports during the prior year. The decrease was primarily due to the consolidation of the financial audit reports on the Department's various trust funds into a single report, and a decline in bureau requests for contract audits.

OIG continued to work with the Department and its bureaus to strengthen their financial management systems. Through a combination of annual financial statement audits and advice and consultation, OIG helped the Department identify material weaknesses and analyze and interpret the Federal accounting standards and the new and expanding financial statement reporting requirements. Its efforts helped the Department reduce the number of material weaknesses related to financial statement reporting from 24 in FY 1997 to 10 in FY 2000. OIG also performed other significant audit work, including addressing Customs' disaster recovery capability, Treasury's information security program, and Customs' Automated Air Manifest System.

In the Investigations area, OIG completed 105 investigations in FY 2001 and obtained penalties and other monetary recoveries of \$199,299 (compared to \$242,525 in FY 2000). And they continued to expand their program for reviewing the internal affairs and inspection functions of the three law enforcement functions that are under Treasury OIG jurisdiction (ATF, Customs, and Secret Service). OIG has also expanded this program to review the handling of employee integrity issues at the other non-law enforcement Treasury bureaus. In FY 2001, OIG completed reviews at the three law enforcement bureaus and at three non-law enforcement bureaus. Recommendations were made that will help strengthen employee integrity programs in these bureaus.

The OIG has also been proactive in providing investigative assistance in the wake of the tragic events of September 11, participating in the terrorist investigations in both New York City and at the Pentagon. Additionally, OIG provided personnel for the Federal Aviation Administration's Federal Air Marshal Program.

Next Steps

During FY 2002, OIG will continue to promote the economy, efficiency, effectiveness, and integrity of the Department's programs and operations. Specifically, OIG plans to complete 23 audits that were in process at the beginning of the fiscal year and undertake 114 new audit and evaluation projects during the fiscal year, including 38 projects that are in response to the events of September 11. Other areas of

increased audit coverage include: (1) Customs' development of the Automated Commercial Environment system, (2) OCC's and OTS's regulatory activities to ensure the safety and soundness of national banks and thrifts, and (3) the Mint's use of special authorities granted by the 1995 Public Enterprise Fund legislation.

The OIG will also continue its emphasis on conducting reviews of the internal affairs functions of the Treasury law enforcement bureaus and the employee integrity programs and policies in the other Treasury bureaus. The OIG will continue to provide personnel in support of the Federal Air Marshal Program.

Treasury Inspector General for Tax Administration

Strategies/Key Measures

In FY 2001, TIGTA issued 186 audit reports (162 in FY 2000) with cost savings or funds put to better use totaling over \$13 billion, with an additional \$13.7 billion in increased revenue and protected revenue. This exceeded the goal of \$120 million in cost savings and \$1.1 billion in increased revenue. Audit recommendations also helped improve tax administration for over 14.5 million taxpaying entities in such areas as taxpayer rights and entitlements, burden and privacy, and security.

In FY 2001, TIGTA closed 4,564 cases and referred 1,926 cases for criminal prosecution. Additionally, TIGTA obtained penalties and other monetary recoveries of \$16,497,528 as compared to \$12,885,934 in FY 2000. TIGTA exceeded its FY 2001 goals related to referring criminal and misconduct investigations, referring 90% of its criminal investigations to the U.S. Attorney, state or local authorities for prosecution within one year of case initiation, exceeding its FY 2000 level of 85%. Seventy-one percent of TIGTA's misconduct investigations were referred to IRS management for administrative adjudication within four months of case initiation, exceeding the FY 2001 target of 62% and the FY 2000 level of 48%.

TIGTA has been proactive in its response to the events of September 11, 2001, and its participation in the government business resumption effort. TIGTA provided assistance to the Joint Terrorism Task Force and the Federal Aviation Administration's Federal Air Marshal Program. TIGTA was also instrumental in establishing communication and providing equipment to other law enforcement agencies affected by the attacks. TIGTA helped coordinate a joint effort by the President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency to provide long-term support to the terrorist investigation.

Next Steps

During FY 2002, TIGTA will continue to produce quality audits and investigations to ensure efficiency, economy, and integrity of IRS's programs and operations. Specifically, TIGTA plans to assess areas related to the major challenges facing the IRS, including the overall security of the IRS and the IRS's modernization efforts. In addition to statutory audit coverage, TIGTA uses a comprehensive, high-level risk assessment process to identify areas presenting the highest risk to the IRS. Additionally, TIGTA will maintain its focus towards investigative resources to assure the integrity and security of IRS operations.

For its support to counter terrorism, TIGTA is enhancing its efforts to assess and investigate threats against IRS employees and property. TIGTA will also continue its proactive efforts to detect the unauthorized access to, and misuse of, sensitive taxpayer information, and other internal and external threats to IRS's information systems.